Weekly Economic Review

Gas stations fuel retail sales

Retail Sales

Robust sales in Alberta

Alberta retail sales were $6.6 billion in August, down 0.5% from July, but still up a robust 8.0% year over year (y/y), and 8.5% year to date. Gasoline stations had the highest growth at 14.6% y/y, the 10th consecutive month that sales have posted double digit growth (Chart 1). Next to gasoline stations, sporting goods, hobby, book and music stores had the highest growth up 10.1% y/y, followed by furniture and home furnishings at 9.1% y/y. Motor vehicle and parts dealers saw more subdued growth at 5.4% y/y, though because they make up such a large proportion of the total, they were the second-largest contributor to overall growth. Sales from building and garden equipment suppliers were lower than in August 2013, partly reflecting a boom in sales last year from flood reconstruction.

National retail sales were $42.4 billion in August, down 0.3% from July, but up 4.4% y/y. Alberta led the provinces in year-over-year retail sales growth, followed by British Columbia at 5.9%.

Job Vacancies

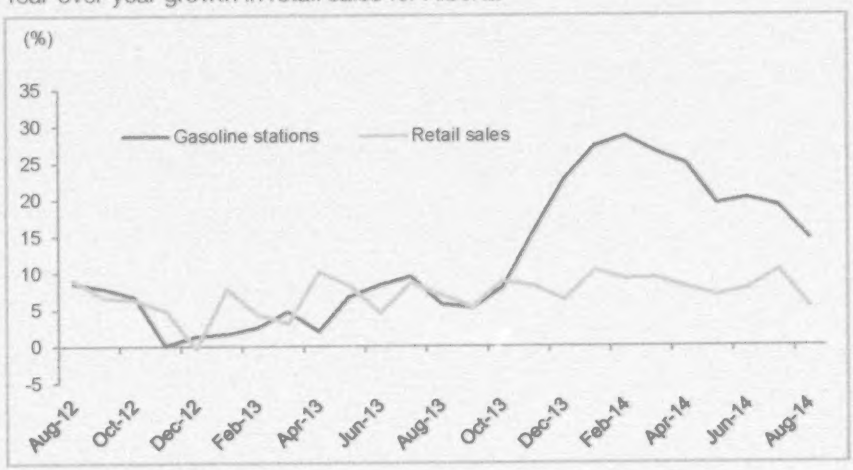
High but stable job vacancies

There were an average of 50,000 job vacancies in Alberta during the three month period ending in July, roughly in line with the same period in 2013. The job vacancy rate, or the proportion of positions that were vacant, was 2.4%, also relatively unchanged year-over-year. The accommodation and food services industry, which contains a disproportionate number of job vacancies, saw some easing after a large run-up in 2013 and early 2014, with the three-month average number of vacancies falling slightly from its peak in June.

Nationally, the number of vacant positions was 222,700 in the three months ending in July, an increase of 4.7% y/y. The job vacancy rate for Canada was 1.5%. Alberta continues to have the highest job vacancy rate among the provinces (Chart 2), and has the second highest share of national vacancies at 22.5%, after Ontario at 32.5%.

Chart 1: Gas stations have had 10-straight months of double-digit growth

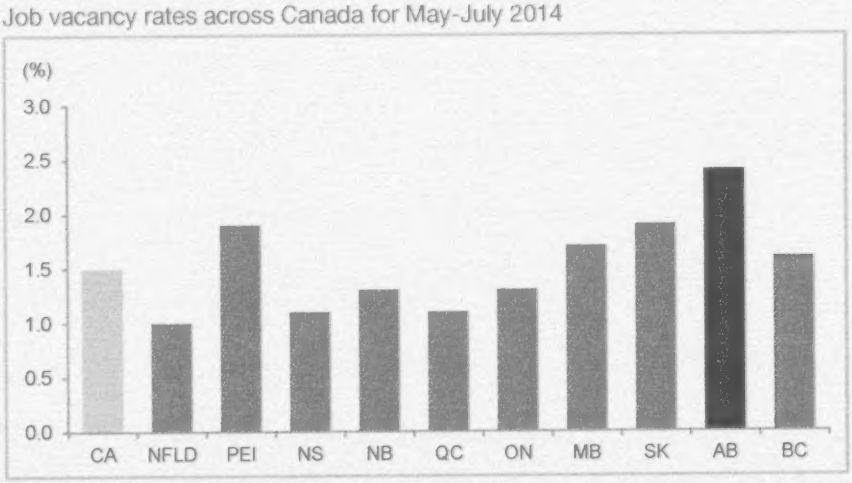
Year-over-year growth in retail sales for Alberta



Source: Statistics Canada

Chart 2: Alberta has the highest job vacancy rate

Job vacancy rates across Canada for May-July 2014



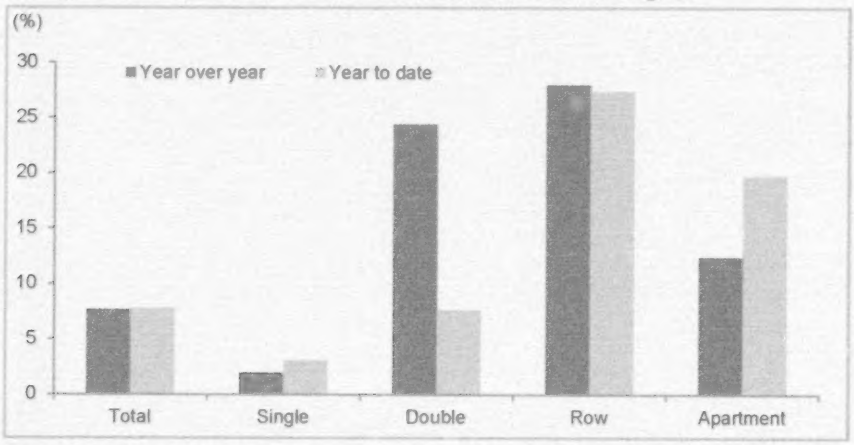
Source: Statistics Canada

Residential Construction

Multi-unit construction on the rise

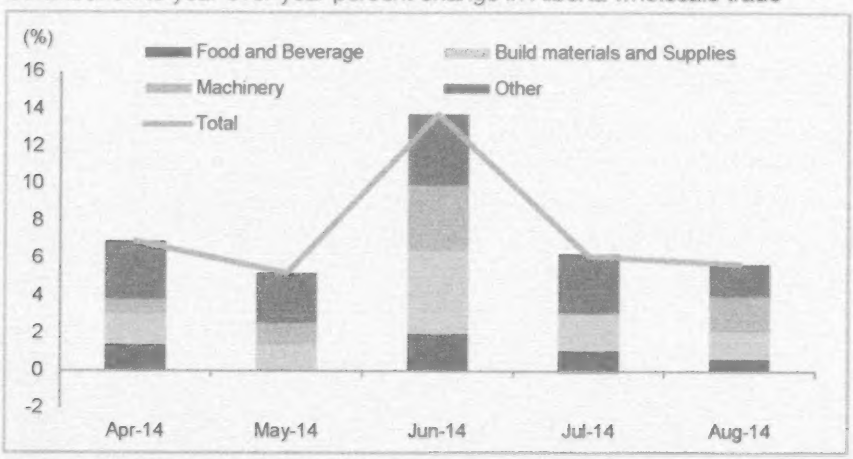
Adjusted for inflation, Alberta new residential construction investment in August was 8.9% higher than in August 2013. Investment in single-detached housing was up just 1.5%, as developers increasingly shift to multi-unit projects. The share of investment that goes towards single-detached housing has fallen 4.5 percentage points in the last year and at 63.6% is well below the historical average, which is closer to 75%. This has been brought about by a boom in multi-unit construction, with apartments (+22.7%), rows (+31.5%) and doubles (+23.5%) accounting for almost all of the year-over-year increase in investment.

Chart 3: Investment in doubles, rows and apartments is booming
Change in real new residential construction in Alberta for August



Source: Statistics Canada

Chart 4: Growth in wholesale trade has been balanced across sectors
Contribution to year-over-year percent change in Alberta wholesale trade



Source: Statistics Canada

Nationally, investment was largely unchanged from August 2013, with strength from BC (+12.1%), Alberta (+8.9%), and Ontario (+3.8%) offsetting negative growth in the other provinces.

Wholesale Trade

Smaller sectors contributing

Wholesale trade in August was 0.1% higher than July, and 8.4% higher than August 2013. Growth in wholesale activity has been persistently strong across all sectors. Food & beverages, machinery, and building supplies make up 75% of wholesaling, and experienced strong growth in August (Chart 4). However, smaller wholesaling sectors contributed disproportionately to overall growth. Farm products, personal and household goods and motor vehicle & parts accounted for 17% of wholesale trade in August, but made up 29% of the year-over-year growth.

Monetary Policy Report

Bank of Canada leaves rates at 1%

The Bank of Canada announced that it will maintain its target interest rate at 1% as inflation has held close to the Bank's 2% target. According to the Bank, inflation has been kept in check by increased retail competition and persistent slack in the Canadian economy. Growing momentum in the US economy should benefit Canada's economy and drive export growth. However, the Bank believes that trend growth will be significantly slower than in the past, averaging just under 2.0% at least until 2016, down from a pre-crisis average of around 2.5%.

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.